

**THE SOUTH CAROLINA OFFICE OF
REGULATORY STAFF**

DIRECT TESTIMONY AND EXHIBITS

OF

ROY H. BARNETTE



DOCKET NO. 2007-5-G

**Annual Review of Purchased Gas Adjustment
and Gas Purchasing Policies of South Carolina
Electric and Gas Company**

1 **DIRECT TESTIMONY OF ROY H. BARNETTE**
2 **ON BEHALF OF**
3 **THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**
4 **IN RE: SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC**
5 **PURCHASED GAS ADJUSTMENT ("PGA")**
6 **DOCKET NO. 2007-5-G**

7 **Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS ADDRESS**
8 **AND OCCUPATION.**

9 A. My name is Roy H. Barnette. My business address is 1441
10 Main Street, Suite 300, Columbia, South Carolina, 29201.
11 I am employed by the Office of Regulatory Staff as an
12 Audit Manager.

13 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

14 A. Following a six year enlistment in the United States
15 Marine Corps, I received a B.A. Degree in Business
16 Administration with a major in Accounting from the
17 University of South Carolina in 1968. From 1968 to 1971,
18 I was employed with S.D. Leidesdorf and Company, a
19 national CPA firm in Charlotte, North Carolina. In 1972,
20 I entered the private business sector, where I was
21 employed by Bagnal Builders Supply Company, Inc., here
22 in Columbia, serving as Senior Vice President and Chief
23 Financial Officer from 1972 until September 1999. From

1 September 1999 until December 2004, I was employed as a
2 member of the Audit Staff of the South Carolina Public
3 Service Commission ("Commission") where I participated
4 in cases involving the regulation of gas, water and
5 wastewater companies. In January 2005, I began my
6 employment with the South Carolina Office of Regulatory
7 Staff ("ORS").

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY INVOLVING SOUTH**
9 **CAROLINA ELECTRIC AND GAS COMPANY?**

10 A. In Docket No. 87-426-G, Order No. 87-898 dated August
11 14, 1987, the Public Service Commission of South
12 Carolina ("Commission") instituted an annual review of
13 the Purchased Gas Adjustment ("PGA") and Gas Purchasing
14 Policies of South Carolina Electric and Gas Company
15 ("SCE&G" or the "Company"). In accordance with the above
16 referenced order, the ORS Audit Staff has reviewed the
17 Company's gas cost for the shortened review period of
18 September 1, 2006 through February 28, 2007 as
19 established in Docket No. 2007-5-G. The purpose of my
20 testimony is to present ORS Audit Staff's findings and
21 recommendations resulting from our review of the
22 Company's gas costs for this period.

1 Q. WHAT ARE THE MOST RECENT COST OF GAS FACTORS APPROVED
2 PRIOR TO THIS FILING?

3 A. In the prior PGA Docket No. 2006-5-G, Order No. 2006-679
4 dated November 13, 2006, the Commission approved a
5 Demand Cost of Gas Factor (DCOG) of \$0.30070 per therm
6 for Residential, \$0.19043 for Small/Medium General
7 Service, and \$0.14862 for Large General Service. The
8 Commission also approved, in the same docket, a
9 Commodity Cost of Gas Factor (CCOG) of \$0.81391 per
10 therm. In addition, the Company was authorized, after
11 proper notification to the Commission, ORS and the South
12 Carolina Energy Users Committee ("SCEUC"), as set forth
13 in the Settlement Agreement, to adjust its cost of gas
14 factors on a monthly basis for material differences of
15 \$0.01 per therm or more in any cost of gas factor
16 beginning with the first billing cycle of each month.

17 Q. HAVE THESE FACTORS BEEN CHANGED SINCE THE PRIOR ORDER?

18 A. Yes. Following the proper notification procedures for
19 each change in rates, effective December 1, 2006 the
20 Company adjusted the Demand Cost of Gas Factor (DCOG) to
21 \$0.29857 per therm for Residential, \$0.18841 for
22 Small/Medium General Service, \$0.14798 for Large General
23 Service and the Commodity Cost of Gas Factor (CCOG) was

1 adjusted to \$0.94182 per therm. Effective January 1,
2 2007 the Company adjusted the Demand Cost of Gas Factor
3 (DCOG) to \$0.24937 per therm for Residential, \$0.17315
4 for Small/Medium General Service, \$0.14091 for Large
5 General Service and the Commodity Cost of Gas Factor
6 (CCOG) was adjusted to \$0.98895 per therm. Effective
7 February 1, 2007 the Company adjusted the Demand Cost of
8 Gas Factor (DCOG) to \$0.25298 per therm for Residential,
9 \$0.18478 for Small/Medium General Service, \$0.15511 for
10 Large General Service and the Commodity Cost of Gas
11 Factor (CCOG) was adjusted to \$0.88402 per therm.

12 Q. DID ORS CONDUCT AN EXAMINATION OF THE COMPANY'S
13 OVER/UNDER REVENUE COLLECTION CALCULATIONS?

14 A. Yes. ORS has examined the Company's Cumulative
15 (Over)/Under Collection calculations for the six (6)
16 months ended February 28, 2007 and traced amounts to the
17 books and records of the Company and to supporting
18 documentation.

19 Q. IN CONNECTION WITH YOUR TESTIMONY, DID YOU PREPARE, OR
20 CAUSE TO BE PREPARED, CERTAIN EXHIBITS?

21 A. Yes. Audit Exhibit RHB-1 through Audit Exhibit RHB-5 are
22 attached to my testimony.

23

1 Q. PLEASE EXPLAIN THE FORMAT USED IN AUDIT EXHIBIT RHB-1.

2 A. Audit Exhibit RHB-1 presents the Company's Cumulative
3 (Over)/Under Collection calculation by month for the six
4 (6) months ended February 28, 2007. Column (1)
5 represents total costs allocated to the Firm Customer.
6 Column (2) contains the Firms Sales Therms. Costs and
7 therm sales shown in Column (1) and (2) have been
8 verified, on a test basis, and traced to the books and
9 records of the Company. Column (3) calculates the
10 Commodity Cost Per Therm by dividing the Total Firm
11 Commodity Cost shown in Column (1) by Total Firm Sales
12 Therms shown in Column (2). Column (4) is the Billing
13 Commodity Cost Per Therm or the actual rate billed by
14 SCE&G to its firm customers as a commodity cost. These
15 Billing Costs per therm were adjusted in accordance with
16 Docket No. 2006-5-G, Order No. 2006-679 dated November
17 13, 2006. Column (5) shows the difference between the
18 actual cost per therm and the billing cost per therm
19 which is then multiplied by the volume in Column (2) to
20 arrive at the Commodity (Over)/Under Collection for each
21 month as shown in Column (6). Column (7) presents the
22 Demand Cost (Over)/Under collection component which is
23 calculated on Exhibit RHB-2. Also included in Columns

(6) and (7) are the calculations, beginning in November 2006, of recoverable carrying costs associated with the (Over)/Under collection, by component, as approved in Docket No. 2006-5-G, Order No. 2006-679 dated November 13, 2006. Per the order, carrying cost is computed using the rate of interest, as of the first day of each month, for 10-year U.S. Government Treasury Bills plus an all-in spread of 65 basis points, not to exceed 6%, and shall not be applied to over or under-collection balances equal to or exceeding \$20 million. The computed carrying costs for both Commodity and Demand are shown by month and have been recalculated and the rates verified to those published in the Wall Street Journal on the first day of each month. Supplier and Company corrections, which were verified by ORS, are shown in Column (8). Column (9) presents the Total Monthly (Over)/Under Collection which summarizes the current month (over) or under collection and any prior month adjustments posted in the current month. Column (10) shows the Cumulative (Over)/Under Collection balance, by month. In addition, Column (10) shows an adjustment of \$1,189,575 to reflect a proposed adjustment in the company's PGA tariff (Firm Transportation Volumes). This

1 adjustment is the result of the inclusion of an
2 incorrect formula in the Settlement Agreement tariff
3 schedules published as part of Docket No. 2005-113-G.
4 Company witness, Harry L. Scruggs and ORS witness, Carey
5 M. Flynt have provided additional clarification in
6 support of this adjustment, in their pre-filed
7 testimony.

8 **Q. PLEASE EXPLAIN AUDIT EXHIBIT RHB-2.**

9 A. This exhibit shows the calculation of the Demand Cost
10 (Over)/Under Recovery by month, by customer class. Net
11 Firm Capacity Charges, Line (1) amounts are allocated to
12 the three customer classes. For the months of September
13 2006 and October 2006 the amounts were allocated using
14 the percentage allocation approved by the Commission in
15 Docket No. 2005-5-G, Order No. 2005-653, dated November
16 8, 2005. Effective November 1, 2006 the allocation
17 percentages were changed in accordance with Docket No.
18 2006-5-G, Order No. 2006-679 dated November 13, 2006.
19 Line (2) contains the Actual Sales Therms for the period
20 reported by class of customer. Line (3) presents the
21 Actual Demand Charges Per Therm by customer class and is
22 a calculation of the Net Firm Capacity Charges on Line
23 (1) divided by the Actual Sales Therms on Line (2). Line

(4) presents the Projected Charges Per Therm by customer class as approved in Docket No. 2006-5-G, Order No. 2006-679, dated November 13, 2006 and as adjusted monthly by the Company filings with the Commission, ORS and SCEUC. Line (5) is the Difference between Actual Demand Charges Per Therm and Projected Charges Per Therm by customer class. Line (6) represents the (Over)/Under Demand Charges, by customer class, calculated by multiplying the demand cost differences calculated on Line (5) by the sales volumes shown on Line (2). The totals shown on Line (6) are then carried forward, by month, to Column (7) on Audit Exhibit RHB-1.

Q. WHAT IS INCLUDED ON AUDIT EXHIBIT RHB-3?

A. Audit Exhibit RHB-3 shows the detail of gas held in storage during the review period. On November 1, 2006 the Company purchased certain storage inventories from South Carolina Pipeline Corporation. ORS has verified these purchases to the books and records of the Company including storage inventory records. Injections and withdrawals, by month, for each of the Storage Fields on the Southern and Transco interstate pipelines are shown on this schedule. The Southern system's Customer Storage Service (CSS) has two fields: Muldon, located in

1 Prairie County, Mississippi and Bear Creek, located in
2 Bienville Parish, Louisiana. The Transco system has four
3 fields: General Storage Service (GSS) located in Potter
4 and Clinton counties, Pennsylvania, Eminence Storage
5 Service (ESS) located in Covington County, Mississippi,
6 a Liquefied Natural Gas Storage Service (LGA) located in
7 Carlstadt, New Jersey and Washington Storage Service
8 (WSS) located in St. Landry Parish, Louisiana. For the
9 period under review, the Transco fields had total
10 injections of 41,526 dekatherms at a total cost of
11 \$320,169 which converts to an average injection rate of
12 \$7.71 per dekatherm. Withdrawals totaled 41,536
13 dekatherms at a total cost of \$345,386 which converts to
14 an average withdrawal rate of \$8.32 per dekatherm. Total
15 Transco storage inventory at February 28, 2007 equaled
16 429,139 dekatherms with a total cost of \$3,330,515, or a
17 weighted average cost of \$7.76 per dekatherm. The
18 Southern system had total injections of 1,470,545
19 dekatherms at a total cost of \$11,391,806 which converts
20 to an average injection rate of \$7.75 per dekatherm.
21 Withdrawals totaled 2,512,883 dekatherms at a total cost
22 of \$22,726,219 which converts to an average withdrawal
23 rate of \$9.04 per dekatherm. Total Southern storage

1 inventory on February 28, 2007 equaled 2,919,743
2 dekatherms at a total cost of \$25,614,750, or a weighted
3 average cost of \$8.77 per dekatherm. Total under ground
4 storage inventory purchased by the Company from South
5 Carolina Pipeline Corporation on November 1, 2006
6 totaled 4,391,230 dekatherms at a cost of \$40,304,895,
7 or a weighted average cost of \$9.18 per dekatherm. Total
8 storage on February 28, 2007 totaled 3,348,882
9 dekatherms at a cost of \$28,945,265, or a weighted
10 average cost per dekatherm of \$8.64.

11 **Q. WHAT IS INCLUDED ON AUDIT EXHIBIT RHB-4?**

12 A. Audit Exhibit RHB-4, details, by month, LNG inventory
13 activities for the Salley and Bushy Park facilities. On
14 November 1, 2006 the Company purchased these inventories
15 from South Carolina Pipeline Corporation. ORS has
16 verified these inventories to the books and records of
17 the Company, including inventory records. These
18 inventories are reported on an MCF basis. This exhibit
19 summarizes all the activity affecting inventory
20 including Boil-off, Vaporization, Liquefaction, Volume
21 transfers between facilities, Gas Lost to Atmosphere,
22 Volume Adjustment, Transportation expenses and Direct
23 Costs Capitalized. As of the purchase date, Salley

1 facility inventory consisted of 784,035 MCF at a cost of
2 \$9,726,911 or a weighted average rate of \$12.41 per MCF.
3 Salley inventory on February 28, 2007 totaled 662,354
4 MCF at a total cost of \$8,244,939, or a weighted average
5 rate of \$12.45 per MCF. At the purchase date, the Bushy
6 Park facility inventory consisted of 835,789 MCF at a
7 cost of \$7,514,851, or a weighted average rate of \$8.99
8 per MCF. Bushy Park inventory on February 28, 2007
9 totaled 786,390 MCF at a total cost of \$7,017,634, or an
10 average rate of \$8.92 per MCF. Capitalized costs at both
11 facilities consist mostly of expenses associated with
12 the liquefaction capability at the Bushy Park facility,
13 some of which are allocated to Salley based on the ratio
14 of volume transported to Salley, when applicable. There
15 were no transfers during this review period.

16 **Q. WHAT IS INCLUDED ON AUDIT EXHIBIT RHB-5?**

17 A. Audit Exhibit RHB-5 details the results of the Company's
18 hedging program for the period under review. In Docket
19 No. 2006-144-G, Order No. 2006-331 dated May 26, 2006,
20 Order Granting Emergency Joint Petition, the Commission
21 authorized South Carolina Pipeline Corporation ("SCPC")
22 to continue its natural gas hedging program on a limited
23 basis for the sole benefit of SCE&G. In Docket No. 2006-

1 5-G, Order No. 2006-679 dated November 13, 2006, the
2 Commission authorized SCE&G's establishment and
3 implementation of a financial hedging program to begin
4 effective November 1, 2006. The results, as shown in
5 this exhibit, are reflected in gains or losses, on a
6 monthly basis, net of brokerage fees, commissions and
7 related expenses, resulting from the purchase of options
8 to buy gas futures contracts ("Call Options"), the
9 purchase of options to sell gas futures contracts ("Put
10 Options"), and "Swaps". "Swaps" are individually
11 negotiated transactions between SCE&G and certain
12 financial institutions. The Company purchases these
13 "Call" and "Put" options at various strike prices. The
14 strike price is the specified price at which a gas
15 futures contract could be bought (Call Option) or sold
16 (Put Option) if the options were exercised. During the
17 review period the Company purchased a net of 432
18 contracts of "Call/(Put)" Options and "Swaps". The
19 purchases and/or sales of these transactions were
20 verified by tracing them to the broker statements in
21 detail. The operation of the hedging program, including
22 the purchase and sale of options/swaps, related fees and
23 other expenses, for the review period, resulted in an

1 increase to the under-collection in the amount of
2 \$17,527,161.

3 **Q. WHAT IS THE ORS'S FINDINGS REGARDING SCE&G'S GAS COSTS?**

4 A. Based on the examination, it is the opinion of ORS that
5 gas costs are accurately stated and that amounts shown
6 fairly represent the Company's costs incurred for the
7 period September, 2006 through February, 2007.
8 Furthermore, it appears that the Company is in
9 compliance with Commission procedures approved in prior
10 Commission orders.

11 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

12 A. Yes, it does.

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SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC.
OVER/UNDER REVENUE COLLECTION
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007

[illegible]

SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC.
 CALCULATION OF DEMAND COST (OVER)UNDER COLLECTION
 FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007

Description	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07
(1) Net Firm Capacity Charges:						
Residential - Sept - Oct '06 73.30%; Eff. Nov '06 64.30%	\$ 2,233,870	\$ 1,592,514	\$ 2,206,057	\$ 2,744,197	\$ 2,176,749	\$ 2,204,845
General - Sept - Oct '06 22.65%; Eff. Nov '06 29.06%	690,275	492,093	997,014	1,240,223	983,769	996,466
Large - Sept - Oct '06 4.05%; Eff. Nov '06 6.64%	123,427	87,990	227,810	283,382	224,784	227,685
Total	<u>3,047,572</u>	<u>2,172,597</u>	<u>3,430,881</u>	<u>4,267,802</u>	<u>3,385,302</u>	<u>3,428,996</u>
(2) Actual Sales Therms:						
Residential	2,246,578	3,366,095	9,969,498	17,816,465	17,554,747	27,428,185
General	4,478,967	4,799,207	6,437,711	8,541,480	8,958,515	11,727,038
Large	1,137,290	1,411,362	1,637,415	1,799,969	2,178,045	2,140,369
Total	<u>7,862,835</u>	<u>9,576,664</u>	<u>18,044,624</u>	<u>28,157,914</u>	<u>28,691,307</u>	<u>41,295,592</u>
(3) Actual Demand Charges Per Therm						
Residential	\$ 0.99434	\$ 0.47310	\$ 0.22128	\$ 0.15403	\$ 0.12400	\$ 0.08039
General	0.15411	0.10254	0.15487	0.14520	0.10981	0.08497
Large	0.10853	0.06234	0.13913	0.15744	0.10320	0.10638
(4) Projected Charges Per Therm						
Residential	\$ 0.15594	\$ 0.15594	\$ 0.30070	\$ 0.29857	\$ 0.24937	\$ 0.25298
General	0.08083	0.08083	0.19043	0.18841	0.17315	0.18478
Large	0.05688	0.05688	0.14862	0.14798	0.14091	0.15511
(5) Difference Between Actual and Projected(Over)Under						
Residential	\$ 0.83840	\$ 0.31716	\$ (0.07942)	\$ (0.14454)	\$ (0.12537)	\$ (0.17259)
General	0.07328	0.02171	(0.03556)	(0.04321)	(0.06334)	(0.09981)
Large	0.05165	0.00546	(0.00949)	0.00946	(0.03771)	(0.04873)
(6) (Over)/ Under Demand Charges						
Residential	\$ 1,883,539	\$ 1,067,605	\$ (791,771)	\$ (2,575,265)	\$ (2,200,877)	\$ (4,733,938)
General	328,240	104,173	(228,919)	(369,077)	(567,398)	(1,170,456)
Large	58,738	7,712	(15,543)	17,023	(82,124)	(104,308)
Total	<u>\$ 2,270,517</u>	<u>\$ 1,179,491</u>	<u>\$ (1,036,233)</u>	<u>\$ (2,927,320)</u>	<u>\$ (2,850,399)</u>	<u>\$ (6,008,702)</u>

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC
STORAGE INVENTORY ACTIVITY
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007**

			Transco GSS					
			Withdrawals			Balance		
DT's	Injections Price	Amount	DT's	Price	Amount	DT's	Amount	Wtd. Cost
	\$	\$		\$	\$		\$	\$
11/1/06	Inventory purchased from SCPC					26,366	225,597	8.55636
Nov-06	0	0.00000	0	0.00000	0	26,366	225,597	8.55636
Dec-06	246	8.92276	(4,105)	8.55639	(35,124)	22,507	192,668	8.56036
Jan-07	0	0.00000	(4,000)	8.56025	(34,241)	18,507	158,427	8.56038
Feb-07	0	0.00000	(12,984)	0.00000	(111,147)	5,523	47,280	8.56056
	246	8.92276	(21,089)	8.55953	(180,512)			

			Transco ESS					
			Withdrawals			Balance		
DT's	Injections Price	Amount	DT's	Price	Amount	DT's	Amount	Wtd. Cost
	\$	\$		\$	\$		\$	\$
11/1/06	Inventory purchased from SCPC					18,886	37,669	1.99455
Nov-06	0	0.00000	0	0.00000	0	18,886	37,669	1.99455
Dec-06	0	0.00000	0	0.00000	0	18,886	37,669	1.99455
Jan-07	0	0.00000	0	0.00000	0	18,886	37,669	1.99455
Feb-07	0	0.00000	0	0.00000	0	18,886	37,669	1.99455
	0	0.00000	0	0.00000	0			

			Transco LNG					
			Withdrawals			Balance		
DT's	Injections Price	Amount	DT's	Price	Amount	DT's	Amount	Wtd. Cost
	\$	\$		\$	\$		\$	\$
11/1/06	Inventory purchased from SCPC					3,585	29,297	8.17211
Nov-06	0	0.00000	0	0.00000	0	3,585	29,297	8.17211
Dec-06	0	0.00000	(1,043)	8.17162	(8,523)	2,542	20,774	8.17231
Jan-07	0	0.00000	0	0.00000	0	2,542	20,774	8.17231
Feb-07	0	0.00000	0	0.00000	0	2,542	20,774	8.17231
	0	0.00000	(1,043)	8.17162	(8,523)			

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC
STORAGE INVENTORY ACTIVITY
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007**

			Transco WSS						
Injections			Withdrawals			Balance			
DT's	Price	Amount	DT's	Price	Amount	DT's	Amount	Wtd. Cost	
	\$	\$		\$	\$		\$	\$	
11/1/06	Inventory purchased from SCPC								
Nov-06	3,271	7.44665	24,358	(7,755)	8.05442	(62,462)	380,312	3,063,169	8.05436
Dec-06	19,194	8.65135	166,054	(3,999)	8.04926	(32,189)	375,828	3,025,065	8.04907
Jan-07	7,427	6.10139	45,315	(4,920)	8.07866	(39,747)	391,023	3,158,930	8.07863
Feb-07	11,388	7.22225	82,247	(2,730)	8.04139	(21,953)	393,530	3,164,498	8.04131
	41,280	7.70286	317,974	(19,404)	8.05767	(156,351)	402,188	3,224,792	8.01812

			Total Transco						
Injections			Withdrawals			Balance			
DT's	Price	Amount	DT's	Price	Amount	DT's	Amount	Wtd. Cost	
	\$	\$		\$	\$		\$	\$	
11/1/06	Inventory purchased from SCPC								
Nov-06	3,271	7.44665	24,358	(7,755)	8.05442	(62,462)	429,149	3,355,732	7.81950
Dec-06	19,440	8.65478	168,249	(9,147)	8.29081	(75,836)	424,665	3,317,628	7.81234
Jan-07	7,427	6.10139	45,315	(8,920)	8.29462	(73,988)	434,958	3,410,041	7.83993
Feb-07	11,388	7.22225	82,247	(15,714)	8.47015	(133,100)	433,465	3,381,368	7.80079
	41,526	7.71009	320,169	(41,536)	8.31534	(345,386)	429,139	3,330,515	7.76092

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC
STORAGE INVENTORY ACTIVITY
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007**

			Southern (CSS)					
	DT's	Injections	Amount	DT's	Withdrawals	Amount	DT's	Balance
		Price			Price			Amount
		\$	\$		\$	\$		Wtd. Cost
11/1/06								\$
Inventory purchased from SCPC								\$
Nov-06	278,913	7.56312	2,109,453	(208,632)	9.32570	(1,945,639)	3,962,081	36,949,163
Dec-06	627,713	8.43310	5,293,567	(330,990)	9.20378	(3,046,359)	4,032,362	37,112,977
Jan-07	286,957	6.57418	1,886,506	(913,991)	9.09203	(8,310,034)	4,329,085	39,360,185
Feb-07	276,962	7.59050	2,102,280	(1,059,270)	8.89687	(9,424,187)	3,702,051	32,936,657
	1,470,545	7.74666	11,391,806	(2,512,883)	9.04388	(22,726,219)	2,919,743	25,614,750
								8.77295
			Total Storage					
	DT's	Injections	Amount	DT's	Withdrawals	Amount	DT's	Balance
		Price			Price			Amount
		\$	\$		\$	\$		Wtd. Cost
11/1/06								\$
Inventory purchased from SCPC								\$
Nov-06	282,184	7.56177	2,133,811	(216,387)	9.28014	(2,008,101)	4,391,230	40,304,895
Dec-06	647,153	8.43976	5,461,816	(340,137)	9.17923	(3,122,195)	4,457,027	40,430,605
Jan-07	294,384	6.56225	1,931,821	(922,911)	9.08432	(8,384,022)	4,764,043	42,770,226
Feb-07	288,350	7.57596	2,184,527	(1,074,984)	8.89063	(9,557,287)	4,135,516	36,318,025
	1,512,071	7.74565	11,711,975	(2,554,419)	9.03204	(23,071,605)	3,348,882	28,945,265
								8.64326

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC
LNG INVENTORY ACTIVITY
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007**

	Boil-off			Salley LNG Vaporization			Volume Transfer		
	MCF	Rate	Amount	MCF	Rate	Amount	MCF	Rate	Amount
	#	\$	\$	#	\$	\$	#	\$	\$
Beg. Bal.									
Nov-06	(11,137)	11.847805	(131,949)	0	0.000000	0	0	0.000000	0
Dec-06	(10,820)	11.867468	(128,406)	(773)	12.442432	(9,618)	0	0.000000	0
Jan-07	(11,436)	11.867436	(135,716)	0	0.000000	0	0	0.000000	0
Feb-07	(10,099)	11.879196	(119,968)	(77,416)	12.504004	(968,010)	0	0.000000	0
Totals	(43,492)	11.865148	(516,039)	(78,189)	12.503396	(977,628)	0	0.000000	0

	Gas Lost To Atmosphere			Volume Adjustment MCF	Direct Costs Capitalized	Ending Balance		
	MCF	Rate	Amount			MCF	Rate	Amount
	#	\$	\$	#	\$	#	\$	\$
Beg. Bal.						784,035	12.406220	9,726,911
Nov-06	0	0.000000	0	0	327	772,898	12.414690	9,595,289
Dec-06	0	0.000000	0	0	382	761,305	12.422941	9,457,647
Jan-07	0	0.000000	0	0	175	749,869	12.431646	9,322,106
Feb-07	0	0.000000	0	0	10,811	662,354	12.447934	8,244,939
Totals	0	0.000000	0	0	11,695			

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY, INC
LNG INVENTORY ACTIVITY
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007**

Bushy Park LNG										
Boil-off				Vaporization			Liquefaction			Derime Gas
MCF	Rate	Amount		MCF	Rate	Amount	MCF	Rate	Amount	MCF
#	\$	\$		#	\$	\$	#	\$	\$	#
Beg. Bal.										
Nov-06	(20,927)	8.439719	(176,618)	0	0.000000	0	110,465	7.742968	855,327	0
Dec-06	(20,369)	8.484314	(172,817)	(33,520)	8.836963	(296,215)	0	0.000000	0	0
Jan-07	(20,039)	8.495733	(170,246)	0	0.000000	0	0	0.000000	0	0
Feb-07	(18,130)	8.510480	(154,295)	(46,787)	8.862911	(414,669)	0	0.000000	0	0
Totals	(79,465)	8.481419	(673,976)	(80,307)	8.852080	(710,884)	110,465	7.742968	855,327	0

Gas Lost To Atmosphere			Volume Transfer Salley			Volume Adjustment	Direct Costs	Ending Balance		
MCF	Rate	Amount	MCF	Rate	Amount	MCF	Capitalized	MCF	Rate	Amount
#	\$	\$	#	\$	\$	#	\$	#	\$	\$
Beg. Bal.										
Nov-06	(92)	8.478261	(780)	0	0.000000	0	0	835,789	8.991326	7,514,851
Dec-06	0	0.000000	0	0	0.000000	0	18,591	925,235	8.874903	8,211,371
Jan-07	0	0.000000	0	0	0.000000	0	6,590	871,346	8.893056	7,748,929
Feb-07	0	0.000000	0	0	0.000000	0	733	851,307	8.903270	7,579,416
Totals	(92)	8.478261	(780)	0	0.000000	0	7,182	786,390	8.923860	7,017,634
							33,096			

**SOUTH CAROLINA ELECTRIC AND GAS
RISK MANAGEMENT - HEDGING PROGRAM
GAIN/(LOSS) RECOGNIZED AND OTHER EXPENSES
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2007**

Month	Type of Contract	No. of Contracts	Gain or (Loss)	Trading Fees	Gain or (Loss) Recognized	Kase & Company	Direct Labor Charges	Margin Carrying Cost	Zainet Software	Net Gain or (Loss)
Sep-06**		-	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ (45,948)
Oct-06	Call Options/Futures/Swaps	43	(2,337,480)	(579)	(2,338,059)	-	-	-	-	(2,338,059)
Nov-06	Call Options/Futures/Swaps	66	(1,590,330)	(810)	(1,591,140)	-	-	(16,084)	(4,200)	(1,611,424)
Dec-06	Call Options/Futures/Swaps	134	(2,151,459)	(1,428)	(2,152,887)	(9,000)	(1,688)	(16,413)	-	(2,179,988)
Jan-07	Futures/Swaps	97	(7,157,415)	(1,597)	(7,159,012)	(4,500)	(978)	(17,450)	(11,325)	(7,193,265)
Feb-07	Futures/Swaps	93	(4,133,615)	(1,571)	(4,135,186)	(4,500)	(1,693)	(17,098)	-	(4,158,477)
Totals		\$ 432	\$ (17,370,299)	\$ (5,985)	\$ (17,376,284)	\$ (18,000)	\$ (4,359)	\$ (67,045)	\$ (15,525)	\$ (17,527,161)
Total Increase to the Cost of Gas										<u>\$ (17,527,161)</u>

**There were no hedging transactions for SCE&G for September '06, these costs were billed to SCE&G as part of SCPC's 950 bill.